

## **The Midas Group Pension and Life Assurance Scheme (the ‘Scheme’) – Engagement Policy Implementation Statement**

### **Introduction**

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 5 April 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Scheme**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee’s primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

When designing the investment arrangements, the Trustees also consider the requirements of legislation, the funding objectives for the Scheme and their views on the covenant of the Sponsor. The objectives set out above provide a framework for the Trustees when making investment decisions.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the Actuarial Valuation methodology and assumptions used in the Statutory Funding Objective.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme’s SIP includes the Trustee’s policies on ESG factors, stewardship and climate change. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The policy was updated in August 2019 (and further updated in September 2020).

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies and agreed a new SIP setting these policies out in August 2019 (which was subsequently refined in September 2020). The Trustees keep their policies under regular review, with the SIP subject to review at least triennially and after any changes to the Scheme’s investment strategy.

The Trustees are satisfied that their engagement and voting policies were followed during the year. The following summarises how the Trustees' engagement and voting policies were followed and implemented during the year accordingly.

### **Scheme's Investment Structure**

The Scheme's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustee has no direct relationship with the Scheme's underlying investment managers.

### **Engagement**

In the relevant year the Trustees have not directly engaged with Mobius or the pooled fund managers on matters pertaining to ESG, stewardship or climate change.

The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers. Managers will be expected to report on their own ESG policies as and when requested by the Trustees.

The Trustees are working with their investment consultant, Mercer, to consider actions that can be taken to engage with their fund managers going forward. For example, ESG specific ratings have been included within performance reporting (with ratings derived by the investment consultant). This will help to determine whether further action should be taken in respect of specific funds.

### **Voting Activity**

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will look to take this on board in advance of the production of future statements.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Threadneedle Multi Asset Fund	ISS – for voting execution and recommendations IVIS – recommendations only Glass Lewis – recommendations only	6,988 eligible for (6,911 cast)	397	271	A dissenting vote, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not supported by management.	<p><b>Vote example 1</b>  <b>Company:</b> DuPont de Nemours, Inc.  <b>Date:</b> 27/05/2020  <b>Resolution:</b> Reduce ownership threshold for shareholders to call special meeting.  <b>Vote:</b> Against  <b>Management Recommendation:</b> Against  <b>Rationale:</b> Threadneedle’s rationale was to support better ESG risk management practices.</p> <p><b>Vote example 2</b>  <b>Company:</b> Biffa Plc  <b>Date:</b> 16/07/2020  <b>Resolution:</b> Re-elect Kenneth Lever as Director.  <b>Vote:</b> Against  <b>Management Recommendation:</b> For  <b>Rationale:</b> Gender diversity concerns.</p>
Ninety One Diversified Growth Fund	ISS – for voting execution and recommendations	1,865 eligible for (1,720 cast)	69	37	Votes where there was significant client, media or political interest, those of a thematic nature (i.e., climate change), and “significant corporate transactions”	<p><b>Vote example 1</b>  <b>Company:</b> Bank of America Corporation  <b>Date:</b> 22/04/2020  <b>Resolution:</b> Report on gender pay gap.  <b>Vote:</b> Against  <b>Rationale:</b> Ninety One believed that a “Global median gender/racial pay gap” report would not produce meaningful information about worker fairness because categories of underrepresented minorities differ from country to country.  <b>Outcome:</b> The resolution failed.</p> <p><b>Vote example 2</b>  <b>Company:</b> Johnson &amp; Johnson  <b>Date:</b> 23/04/2020  <b>Resolution:</b> Report on governance measures implemented related to opioids.  <b>Vote:</b> For</p>

						<p><b>Rationale:</b> Ninety One argued that shareholders would benefit from more specific information about proactive steps the Board is taking to mitigate risks related to the manufacture and marketing of opioid-related products, and that incentives are aligned with the health of the communities it serves.</p> <p><b>Outcome:</b> The resolution passed.</p>
Nordea Diversified Return Fund	ISS for technical expertise, voting platform and analysis.	3,344 eligible for (1,501 cast)	149	9	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals against their policy.	<p><b>Vote example 1</b>  <b>Company:</b> Cisco  <b>Date:</b> 10/12/2020  <b>Resolution:</b> Require independent Board Chairman (shareholder proposal)  <b>Vote:</b> For  <b>Rationale:</b> Nordea believed that it was in the best interests of shareholders to separate the CEO and COB functions, therefore, they voted in support of this proposal and against the election of Charles H. Robin as COB.  <b>Outcome:</b> The resolution failed.</p> <p><b>Vote example 2</b>  <b>Company:</b> FedEx  <b>Date:</b> 19/09/2020  <b>Resolution:</b> Report on lobbying payments and policy (shareholder proposal)  <b>Vote:</b> For  <b>Rationale:</b> Nordea noted that FedEx spends large sums directly and through memberships in different organisations on lobbying with very limited transparency for shareholders. It is in the shareholders best interests to increase transparency and report on the lobbying payments and policy.  <b>Outcome:</b> The resolution failed.</p>

Pictet Multi Asset Portfolio	ISS – provide research and voting execution.	411	25	0	<p>Pictet consider a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or if Pictet hold an important stake in the company.</p>	<p><b>Vote example 1</b>  <b>Company:</b> The Coca-Cola Company  <b>Date:</b> April 2020  <b>Resolution:</b> Shareholder proposal to report on the health impacts and risks of sugar related products.  <b>Vote:</b> For  <b>Rationale:</b> Pictet voted for this proposal, against the management recommendation, as shareholders would benefit from increased understanding about the use of sugar in products and the connection to potential health impacts.  <b>Outcome:</b> The resolution failed.</p> <p><b>Vote example 2</b>  <b>Company:</b> Alphabet Inc.  <b>Date:</b> June 2020  <b>Resolution:</b> Shareholder proposal to assess feasibility of including sustainability as a performance measure  <b>Vote:</b> For  <b>Rationale:</b> Pictet voted for this proposal, against the management recommendation, as Alphabet’s compensation program mostly lacks performance based pay elements, and the adoption of this proposal could promote a more strongly performance-based pay program for executives.  <b>Outcome:</b> The resolution failed.</p>
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